



Code of Professional Ethics and Standards of Practice for Industry Partners

California Association of Community Managers, Inc.

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Code of Professional Ethics and Standards of Practice

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California Association of Community Managers, Inc.

Code of Professional Ethics and Standards of Practice

RECITALS

- A. In order to promote and enhance a high level of professional conduct among its membership, the California Association of Community Managers, Inc. (CACM) hereby adopts the following Code of Professional Ethics and Standards of Practice.
- B. The Code of Professional Ethics and Standards of Practice has been adopted by the Board of Directors of CACM as the official rules of conduct which applies to all CACM members including individual Managers, Industry Partners, Management Business Members (MEMBERS), whether or not they are also Certified Community Association Managers (CCAM) or California Certified Industry Partner (CCIP), Industry Partner Business Members, non-member Certified Managers of CACM, or Accredited Community Management Businesses, and to any affiliated management business or industry partner business recognized by CACM, while performing services related to the practice of management of community associations (a Common Interest Development [CID] as defined in Part 5 of Division 4 of the California Civil Code commencing at Section 4000), including complete association management, financial services, administrative services and/or independent consulting, contacting provider or other service provider, for a Member, client or employer (client).
- Note: "Member" is defined to also include a "Non-member Certified Manager" or Non-member Certified Industry Partner
- C. A Member engaged in servicing of community associations must observe all rules of conduct incorporated in the Code of Professional Ethics and Standards of Practice.
- D. A Member shall not permit anyone under the Member's supervision, to carry out on the Member's behalf, either with or without compensation, anything which, if carried out by the Member, would place the Member in violation of the rules of conduct under the Code of Professional Ethics and Standards of Practice. Where the subordinate of a Member violates the Code of Professional Ethics and Standards of Practice while performing functions for a Member's client and under the general supervision of a Member, the Member shall be accountable for the violation as if the violation was committed by the Member.
- E. All Rules of Ethics and Practice contained herein shall be subordinate to all governmental regulations.
- F. Any word of general usage contained herein shall be interpreted in light of the prevailing definition as contained in the then current edition of Webster's Unabridged Dictionary.

CODE

1.0 General Standards

Loyalty, Fidelity and Integrity - The Member shall act with loyalty, fidelity and integrity in all aspects of the Member's relationship with the client and in all aspects of representing the client to third parties.

The Member shall be honest and forthright in all of the Member's professional dealings. The Member shall not misrepresent, either by affirmative statement or material omission, the Member's qualifications, experience or capabilities in servicing community associations.

The Member shall honor all client confidences and shall treat the business affairs and records of the client as confidential unless directed or authorized otherwise by competent authority. The Member shall refuse to make available the names, addresses and telephone numbers of the members of a community association, or clients, without the prior consent of a majority of the Board of Directors of the community association.

Professional Competence - The Member shall accept only those engagements which the Member, or the Member's firm, can reasonably expect to perform with professional competence.

Due professional care - The Member shall exercise due professional care in the performance of duties.

- *Standard of Practice 1-01: Education*

- a. The Member shall strive to keep informed of new developments in community associations, including but not limited to, legal and accounting principles applicable to community associations.
- b. The Member shall seek continuing education in servicing community associations through attendance at professional courses of CACM, CAI, IREM, BOMA and other similar professional associations related to the practice of servicing community associations.
- c. The Member shall encourage officers, Board members, and committee chairs of clients to participate in courses and seminars which will improve their abilities to serve community association members.
- d. The Member must adhere to all guidelines and rules regarding examination procedures for CACM courses and events. Non-adherence may result in disciplinary action by the Professional Standards Committee.

- *Standard of Practice 1-02: Use of CCAM/CCIP Designation and/or Logo.* Only an individual Member, not a Management Business or Industry Partner Business Member, may be a Certified Community Association Manager (CCAM) or California Certified Industry Partner (CCIP). A Management Business Member or Industry Partner Business Member may only use the proper logo of a business Member. Only an Accredited Community Management Company (ACMC) may refer to itself as "accredited" and use the designation and/or logo denoting such accreditation. Neither a Member nor others of an organization engaged in servicing community associations shall hold themselves out to anyone as being a Certified Community Association Manager (CCAM), California Certified Industry Partner (CCIP) and/or an Accredited Community Management Company (ACMC) at any time before accreditation or after the expiration, suspension or termination of membership or membership status.
- *Standard of Practice 1-03: Member Staff Support.* The Member shall have sufficient qualified staff and administrative personnel, or a formal arrangement with necessary consultants, to ensure the capable handling of the client's interests.

- *Standard of Practice 1-04: Compliance*
 - a. The Member shall recommend the client comply with the provisions of:
 - 1) California Civil Code, Division 4, Part 5 – Common Interest Developments, commencing at Section 4000.
 - 2) California Corporations Code, Title 1, Division 1 - General Corporation Law, commencing at Section 100, and Division 2, Part 3 - Non-profit Mutual Benefit Corporations, commencing at Section 7310, and
 - 3) Business and Professions Code, commencing at Section 11500, et seq.
 - 4) Other applicable codes, statutes, laws and regulations.
 - b. The Member shall comply with the Code of Professional Ethics and Standards of Practice of CACM.
 - c. The Member shall recommend the client comply with all lawful provisions of the client's governing documents and contractual agreements.
 - d. The Member shall comply with all lawful provisions of written contracts in which the Member is a party.

2.0 Integrity and Objectivity

The Member shall not knowingly misrepresent facts in order to benefit the Member, or the Member's company, or any affiliate, including family relations of the Member or the Member's company. All representations made to a community association which has engaged the Member must be made with the best interest of the community association in mind.

3.0 Technical Standards

The Member shall comply with all standards that are currently in force or may from time to time be adopted and promulgated by the California Association of Community Managers.

- *Standard of Practice 3-01: Inspection:* In accordance with the management agreement or contract for services to a community association, a Member shall make, or cause to be made, regular physical inspections of the common property and assets of its clients. Such inspections shall be defined as “reasonable inspections” such as those made by a reasonably prudent person exercising ordinary care, not an “expert inspection” such as one made by a licensed architect, engineer or construction specialist.
- *Standard of Practice 3-02: Maintenance*
 - 3.02.1 The Member shall recommend that a reserve study be prepared in a professional manner and reviewed and updated in accordance with California State law.
 - 3.02.2 The Member shall recommend that the client establish and implement a preventive maintenance program.
- *Standard of Practice 3-03: Legal*
 - a. The Member shall not engage in the unlicensed practice of law. This provision, however, does not prevent a Member from rendering a business judgment nor does this provision prevent a Member from appearing on behalf of a client where authorized to do so by law.

- b. The Member shall advise clients when the Member believes legal counsel should be retained and assist the client in retaining qualified counsel.
 - c. The Member shall recommend that a legal review, where appropriate, by an attorney knowledgeable in community association law be considered for all legal issues, including but not limited to, major contracts, association rules, enforcement procedures and association documents.
 - d. The Member shall recommend that, if applicable, the community association implement an Injury Prevention Program in compliance with CAL-OSHA requirements and standards pursuant to, California Labor Code Section 6401.7.
 - e. The Member shall become familiar with and develop a working knowledge of the community association's governing documents as appropriate to the service being provided to the association
 - f. The Member, as applicable to the service being performed, shall recommend that written rules and consistent enforcement policies be established and published for the community association membership and that these rules and enforcement policies be based on all applicable laws, regulations and the community's governing documents.
- *Standard of Practice 3-04: Accurate Financial Records.* A Member shall, at all times, cause to be kept and maintained current and accurate records of all financial transactions and contracts, properly marked for identification, concerning the business entity and assets managed for a client, and cause to be prepared financial statements in sufficient detail to allow the client's Board and auditor to determine the status of the association's accounts and financial operations. Such records shall be made available for inspection by the client in accordance with the governing documents and applicable law.
 - *Standard of Practice 3-05: Expenditure of Funds.* A Member shall advise and, when authorized, shall endeavor to expend client's funds to achieve the greatest benefit for the client.
 - *Standard of Practice 3-06: Commingling and Security of Funds.* Except as provided for in California Civil Code Section 5380, the Member shall not commingle the Member's funds or other client's funds with any of the funds of a management client. The Member shall deposit all such funds in an FDIC insured financial institution as required by the governing documents and California law.
 - *Standard of Practice 3-07: Budgetary & Finance*
 - a. The Member shall act as a fiduciary on behalf of the client in handling the client's financial affairs and shall put the client's interests above the Member's own in handling the client's financial affairs.
 - b. The Member shall recommend that the community association comply with the fiscal requirements of California laws, in addition to the community association's legal documents.
 - c. The Member shall advise clients when the Member believes the services of a Certified Public Accountant should be retained and assist clients in retaining qualified accounting and tax advice.
 - d. The Member shall recommend that the community association file, in a timely manner, applicable quarterly and fiscal year-end tax returns and reports and make required periodic deposits with the IRS, the California Franchise Tax Board, and with other applicable federal, state, and local agencies.

- e. The Member shall make financial records available for inspection and copying by an authorized representative of the community association upon reasonable notice during regular business hours.
- *Standard of Practice 3-08: Reserve Investment*
 - a. The Member shall recommend that the community association invest association funds in accordance with the association's legal documents and recommend that the primary objectives in investing should be safety first, liquidity second, then yield and then other considerations. Recommended investments should be limited to deposit accounts insured by the FDIC, or U.S. Treasury Securities or other full faith and credit obligations of the Federal Government or money funds which invest exclusively in these instruments and which are FDIC or SIPC insured.
 - b. The Member, unless qualified to do so by education or professional experience, shall refrain from giving investment advice to community association clients and, when such advice is requested, recommend qualified investment professionals.
- *Standard of Practice 3-09: Insurance*
 - a. The Member shall advise the client of the need to obtain insurance.
 - b. The Member shall provide the community association evidence of insurance and copy of business or contractor's license.
 - c. The Member shall recommend that the community association obtain professional advice on insurance coverage consistent with the requirements established in the community association governing documents, and ensure annual review of those requirements and coverage.
 - d. The Member shall recommend that the community association maintain appropriate property casualty insurance.
 - e. The Member shall recommend that the community association maintain appropriate liability insurance.
 - f. The Member shall recommend that the community association acquire an appropriate level of Directors and Officers liability insurance.
 - g. The Member shall recommend that the Board of Directors provide adequate fidelity bond/insurance coverage extending to the Board and community association employees.
 - h. The Member shall recommend that Workers' Compensation insurance be part of the overall insurance package whether or not the community association has regular employees.
 - i. If the Manager Member is an independent agent, rather than an employee of the community association, the Member shall recommend that the management entity be named as an additional insured under the association insurance contracts.
- *Standard of Practice 3-10: Communications*
 - a. The Manager Member and/or Management Firm Business Member shall maintain a Record of Membership including the names and addresses of the community association members as provided by the membership.
 - b. The Member shall recommend that the community association have regular

communications with the membership.

- c. The Member shall assist the community association in dissemination of information as defined in the community association's governing documents, and as required by the Civil and Corporations Codes of the State of California.

- *Standard of Practice 3-11: Transfer of Property to Client*

- a. At the conclusion of any engagement for a client, upon receipt of a written request from the client, the Member shall produce Client Property and Client Records to the person designated by the client. Client Property and Client Records shall be produced as soon as reasonably practical after receipt of the client's written request to do so, regardless of any dispute over termination or fees.
- b. As used herein, "Client Property" means the client's physical property, such as manuals (e.g., for operation, maintenance or warranty of elevators, pool heaters, HVAC systems, etc.), security gate transponders, and pool keys.
- c. As used herein, "Client Records" means hard files and electronically stored information maintained by the Member in the ordinary course of business which the client is legally required to maintain by California state law and/or which is reasonably necessary for the client's continued operation. "Client Records" includes, at a minimum, all items presented to an association Board of Directors for their consideration.
- d. The Member shall produce Client Records in the form in which they have been kept by the Member or in a form which the Member reasonably believes will be usable by the client. The Member shall produce Client Records in a manner which is convenient, not burdensome, and inexpensive to the Member. The Member need not produce Client Records which are not reasonably available because of undue burden or expense. The Member need not produce Records which might include proprietary or other trade secret information developed by the Member for use in the Member's management business. The Member need not produce Records in more than one form. The Member need not produce records which have been lost, damaged, altered or overwritten as the result of routine good faith operation of an electronic information system. The Member need not produce working papers or electronic data developed or created by the Member. The Member need not produce records of telephone conversations or emails, unless they previously have been printed and included in a Board packet or vendor/project file.
- e. The Member's obligation to honor all client confidences and to treat the business affairs and records of the client as confidential continues after the conclusion of the engagement for a client.
- f. In their contracts with clients, Member may provide for different definitions of "Client Property" and "Client Records" or a longer period within which they must be produced other than those stated above, as long as those definitions and time period are reasonable.

4.0 Professional Courtesy

- a. The Member shall exhibit professional courtesy to all community association management professionals and industry partner professionals.
- b. The Member shall be fair in making representations.

- c. The Member shall assist other Members in achieving the Standards of Practice as set forth herein.
- d. The Member shall not make false, fraudulent, misleading or deceptive statements to a client or prospective client in the marketing of property management services or the solicitation of business pertaining to community management.
- e. All Members are encouraged to promote fair and open competition and shall avoid unlawful restraints of trade.

5.0 Conflict of Interest

- a. Members shall avoid any real or apparent conflicts of interest with their clients/employer. In the event of a real or apparent conflict of interest, the Member shall promptly disclose all pertinent information regarding the conflict to the client and allow the client to make an informed decision as to whether to continue the relationship on the then existing basis or to make an appropriate change in the relationship to accommodate the conflict. The decision on how to deal with a real conflict of interest shall rest with the client and not with the Member.
- b. Recommendations to a client of vendors, suppliers or contractors that have any financial or other than independent third-party relationship to the Member, or a family relation or employee of the Member, must be disclosed to the client by the Member at the time the recommendation is made.

- *Standard of Practice 5-01: Disclosure of Joint Ownership, Referral Fees, and Fee/Revenue Sharing.*

The Member may provide goods or services to clients, other than community association management services, receive referral fees, and participate in fee/revenue sharing with other providers of goods and services provided that there is full written disclosure by the Member to the Client as to all aspects that may influence the Client's decision to enter into the contract. The disclosure shall specifically include any payment to be made or already paid directly to the Member as a result of contracting for these goods and services. This disclosure must be made at the time the recommendation is made, prior to the award of any contract to provide such goods and services for each bid/contract/relationship. Disclosure must be repeated by the Member to the Client at the time a contract is executed.

5.01.1 CACM respects the relationship between the Member and its Clients.

5.01.2 Where a contract for goods or services is to be competitively bid and the Member or an allied, related and/or affiliated company of the Member is a bidder such bid shall be based on precise written specifications provided to each bidder. The Member shall employ a sealed bid process wherein all bids are received sealed and are opened in the presence of the client Board or its designated representative other than the Member.

6.0 Gratuities

It shall be the policy of the California Association of Community Managers to discourage Members from accepting or offering gifts, entertainment, or other favors from/to existing or prospective clients, vendors or suppliers who act on behalf of the Member's clients, when such acceptance can unduly influence the Member.

No Member, or employee of a member, may accept any unearned fees or other forms of remuneration that may actually be, or appear to be, a conflict of interest.

- *Standard of Practice 6-01: Fees and Commissions*

The Member is prohibited from receiving undisclosed referral fees, deferred compensation, commissions or similar gratuities in cash or in kind for recommending to or purchasing material or services on behalf of a client.

6.01.1 The acceptance of any gratuity in cash (i.e. banknote or coin) is prohibited.

6.01.2 The offering or acceptance of any gratuity by gift certificate, or in kind, including but not limited to meals, entertainment, housing, transportation, professional services or, of any other nature, having a cumulative value in excess of three hundred dollars (\$300.00) from any one person or business in any twelve (12) month period shall be fully disclosed to all clients which have procured services from the providing person or business and to all clients who contemplate the procurement of such services.

6.01.3 Under no circumstances shall a member or employee of any member solicit any gratuity, in cash or in kind, on their own behalf or on behalf of another member(s) or employee(s), regardless of value or type from any one person or business.

6.01.4 A gift certificate, gift card, prize, cash prize or other similar items received from a drawing at an event, trade show, or similar gathering, is acceptable as long as the Member can reasonably determine there is no undue influence of the Member by accepting this type of item from a random drawing.

7.0 Use of Client Funds

The Member may not misuse any funds being held for a client under a fiduciary relationship.

8.0 Limitations of Practice

The Member, who has contracted with a client to perform community association management services, and who is also engaged in the practice of another profession, may perform other professional services for the client, provided there is full disclosure to the client.

9.0 Enforcement

Each Member, as a condition of membership and/or certification in the California Association of Community Managers, agrees to be bound by and to abide by this Code of Professional Ethics and Standards of Practice and by duly adopted amendments hereto, and to voluntarily participate in compliance, disciplinary proceedings, discipline and/or, binding arbitration as required by the Board of Directors, Professional Standards Committee, or Ethics Appeals Committee.

The Member subject to disciplinary action may, after hearing, be subject to censure; suspension or termination of membership or membership status.

AMENDMENT

This Code of Professional Ethics and Standards of Practice supersedes and replaces all prior versions of this document and shall have prospective as well as retroactive effect from the inception date of CACM to the date of subsequent modification or termination. This Code of Professional Ethics and Standards of Practice may be amended from time to time by vote of a majority of the Board of Directors of CACM cast at a duly constituted meeting.